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**ARTICLE REVIEW ON RURAL DEVELOPMENT POLICIES AND
STRATEGIES IN ETHIOPIA: PROCESSES, IMPLEMENTATIONS AND
IMPACTS ON AGRICULTURAL SECTOR.**

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Executive summary

Policy process in general and rural policy in particular is very complex activity of the government. In developing countries, including Africa, majority of the population are living in the rural areas and are suffering from poverty. Hence, it is mandatory for governments of these countries to formulate policies which can benefit majority of the population. Rural development policies and strategies in Ethiopia have been formulated and implemented since the Imperial regime. The regime had formulated three consecutive Five-Year plans (1957-1961, 1962-1967 and 1968-73). However, in spite of the aspirations to integrate agriculture with an industrial economy through the promotion of large-scale commercial farms and introduced packages could not even meet food consumption. The above plans were not successful and among the reasons that were attributed to this failure include : (i) the feudal land tenure system which was the major obstacle against the development of agriculture; (ii) There was lack of genuine political commitment on the part of the Imperial regime to address the challenges facing peasant agriculture; (iii) the Minimum Package Program too did not entail significant progress due to failure in introducing a more dynamic farming system drawing on the experiences of smallholders. In 1974, the Military Junta, Derg, had taken over the political power and introduced a radical agrarian reform signified by Rural land Proclamation in 1975 abolishing the feudal tenure system by way of nationalizing all rural land and redistributing it to the tillers of the land. The Derg also endorsed a Ten-Year Plan (1984/5- 1993/4). The document emphasized on industrialization as an engine for achieving rapid economic development in the country. It also describes the role of agriculture in providing agricultural inputs for the domestic industries and generated foreign exchange. However, the plan was failed to achieve its objectives due to internal and external problems such as low level of domestic saving and low level investment; higher inflation; a negative trade balance; and the high government expenditure, backward agricultural technologies, fragmented land, drought, ecological degradation, civil war and the like. In 1991, the EPRDF assumed power and had adopted rural development policies and strategies. Agricultural Development-Led Industrialization (ADLI) was adopted a strategy that considers agriculture as the engine of growth. The EPRDF led government believed that agriculture was the leading economic sector and that the development of the other sectors hinges upon achievements in the agricultural sector. ADLI was accompanied by the Sustainable Development and Poverty Reduction Program (SDPRP), which covered the years 2002/03-2004/05. The Plan for Accelerated and Sustained Development to End Poverty (PASDEP) was also put in to effect from 2005/06 to 2009/10. PASDEP has been launched as a policy which gave high priority to agriculture and rural development. It included fundamental agricultural development strategies: improving

human resources capacity, ensuring prudent allocation and use of land; specialization, diversification and commercialization of agricultural production; integrating development activities with other sectors; and establishment of effective agricultural marketing systems. These are the Rural Development Policy and Strategy (RDPS) and the Food Security Strategy (FSS). The RDPS and FSS focuses on smallholders. It envisages that productivity of smallholder agriculture will be improved through the distribution of improved extension services and development of livestock resources. Further, RDPS intends to address the issues of the proper use of land, expanding rural infrastructure improving smallholders' access to the rural financial system, and developing and strengthening rural institutions. The Five-Year Growth and Transformation Plan (FYGTP) 2010/11 to 2014/15 aiming at achieving economic growth at a minimum of 10 per cent per annum, and doubling GDP over the five-year plan period. Currently, the GTPII is being implemented and its outcome will be seen together. In order to realize rural transformation and development, the sustainable and fast economic development, sustain faster and equitable economic growth, maintaining agriculture as a major source of economic growth, creating favorable conditions for the industry to play key role in the economy, enhancing expansion and quality of infrastructure development, enhancing expansion and quality of social development and so on. In addition to the formal agricultural system, the non-farm employment has been gaining increasing attention in the rural areas of developing countries such as Ethiopia. There are varying degrees of contribution of non-farm sector for providing employment opportunities in the rural areas. In order to facilitate rural transformation processes various potentially viable non-farm activities and development linkages that the identified non-farm activities are possessing with the diversification of different components of farm sector in different locations.

Key terms: Rural development, policy process, agriculture, Growth and Transformation Plan, rural transformation

1. Introduction

Rural development in Ethiopia has been a critical focus for successive governments, aiming to alleviate poverty, enhance food security, and foster sustainable economic growth within its predominantly agrarian society. The agricultural sector is the backbone of the Ethiopian economy, contributing significantly to the Gross Domestic Product (GDP), employment, and export earnings. Consequently, rural development policies and strategies are intrinsically linked to agricultural development, with a primary objective of transforming subsistence farming into a more productive and market-oriented system. These policies often encompass a wide range of interventions, including land tenure reforms, agricultural extension services, infrastructure development (roads, irrigation, electricity), access to credit and markets, and social services (education, health). The overarching goal is to improve the livelihoods of rural populations, reduce vulnerability to climate shocks, and promote equitable development across different regions of the country.

2. The core objectives of the review

The overall objective of the material is to analyze rural policy process, implementation, evaluation and impacts in agriculture, natural resources, and non-farm sectors with emphasis on Ethiopia. This material is also prepared with the following specific objectives in mind and these include:

- ✚ To explain the basic concepts of policy, categories of policy, approaches to study policy, process and stages of policy making and the actors involves in the process of policy making.
- ✚ To discuss the historical narratives of rural/agricultural policies and strategies of the past regimes as a base the explain the current policy making processes.
- ✚ To thoroughly describe the Agricultural Development Policies in the Post 1991 Period.

- ✚ To Point out the major weakness and constraints of agricultural development policies in Ethiopia.
- ✚ To forward ways how agricultural policies in Ethiopia can be improved so that smallholder farms will be benefited.

3. The expected outcome of the material

Upon successful accomplishment of the material, readers can expect the following outcomes.

- ✚ Equipped with the overall concept of policy, classifications, and models, processes how public policy and the actors involved in policy making.
- ✚ Improved the knowledge of past rural/agricultural policies; the major policy objectives, achievements and failures of the past regimes.
- ✚ Enhanced the understanding of the current successive rural/agricultural policies; the major policy objectives, achievements and areas to be improved.
- ✚ Identified the major bottlenecks of rural/agricultural policies and the way forward to tackle these problems which have been hampering the sector.

4. Meanings and concepts of public policy

4.1. Introduction

Public policy is a government policy and hence, it is formulated and implemented by the government. It is a principled guide to action taken by the executive branches of the state in a manner consistent with law and institutional customs. The foundation of public policy is composed of national constitutional laws and regulations which are generally authorized by legislation. Public policy is considered as strong when it solves problems efficiently and effectively, serves justice, supports governmental institutions and policies, and encourages active citizenship. Therefore, this term paper discusses on the meaning and concept of public policy, category of public policy, approaches to the study of public policy, processes and stages of public policy, rural/agricultural policies and strategies, policy implantation and evaluation in Ethiopia.

4.2. The concept of public policy

There is no single way of defining public policy. For the purpose of this essay, public policy is what governments choose to do or not to do.¹ Public policies are formulated and implemented by governments to address perceived problems and achieve the desired changes in the society.² According to Anderson (1997)³, public policy is described as multiple decisions followed by government's course of actions to address the existing social problems. Dror (1968)⁴, on the other hand, offers a more comprehensive definition of public policy. For him, public policy is a more complex, dynamic and continuous process which decides major guidelines for action directed

¹ Parsons, W.,(1996) Public policy: an introduction to the theory and practice of policy analysis. Edward Elgar Publishing, Aldershot, UK,

² Walker, W.E.,(2000).Policy analysis: a systematic approach to supporting policymaking in the public sector, Journal of Multi-Criteria Decision Analysis, Vol. 9.

³ Anderson, J.E.,(1997). Public policymaking: an introduction, Houghton Mifflin, Boston,

⁴ Colebatch, H.K.,(2005).Policy analysis, policy practice and political science. Australian Journal of Public Administration, Vol. 64, No 3, 2005,

towards achieving the intended public policy objectives. Public policymaking involves structures, governmental institutions and multiple policy decisions to address the perceived social problems.

4.3. Categories of public policy

- ✚ **Substantive** involve what government is going to do, such as constructing highways, paying welfare benefits, acquiring bombers, or prohibiting the retail sale of liquor. Substantive policies directly allocate advantages and disadvantages, benefits and costs, to people.
- ✚ **Procedural policies**, in contrast, pertain to how something is going to be done or who is going to take action. So defined, procedural policies include laws providing for the creation of administrative agencies, determining the matters over which they have jurisdiction, specifying the processes and techniques that they can use in carrying out their programs, and providing for presidential, judicial, and other controls over their operations.⁵
- ✚ **Distributive policies** involve allocation of services or benefits to particular segments of the population such as individuals, groups, corporations, and communities. These policies typically involve using public funds to assist particular groups, communities, or industries.⁶
- ✚ **Regulatory policies** impose restrictions or limitations on the behavior of individuals and groups. When we think of regulatory policies, we usually focus on business regulatory policies, such as those pertaining to control of pollution or regulation of transportation industries.
- ✚ **Redistributive Policies** involve deliberate efforts by the government to shift the allocation of wealth, income, property, or rights among broad classes or groups of the population, such as haves and have-nots, proletariat and bourgeoisie.

4.4. Approaches to study public policy

Political and social scientists have developed many models, theories, approaches, concepts, and schemes for analyzing policymaking and its related component, decision-making. Some of the approaches include:

System theory of public policy (input → political process → Output)

Public policy is viewed as a political system's response to demands arising from its environment. The political system comprises government institutions and political processes that make authoritative allocations of values that are binding on-society. Inputs consist of demands and supports. Demands are the claims by the people to satisfy their interests. Support is compliance the people by election results, pay taxes, obey laws, and accept the decisions and actions of the government. Support for a political system indicates the extent of legitimacy of citizens to the system. Outputs of the political system include laws, rules, judicial decisions, and the like. The concept of feedback indicates that policy outputs may produce new demands, which lead to further outputs, and so on in a never-ending flow of public policy.⁷

Group theory: According to the group theory of politics, public policy is the product of the group struggle. Group theory rests on the contention that interaction and struggle among groups are the central facts of political life.

⁵ Kenneth Bickers and John T. Williams, *Public Policy Analysis* (Boston: Houghton Mifflin, 2001). This readable examination of the policy process introduces the reader to rational choice theory.

⁶ The basic typology is from Theodore J. Lowi, "American Business, Public Policy Case Studies, and Political Theory," *World Politics*, XVI (July 1964), pp. 677-715. The self-regulatory category is from Robert Salisbury, "The Analysis of Public Policy" in Austin Ranney, ed. *Political Science and Public Policy* (Chicago: Markham, 1968), pp. 151-175.

⁷ David Easton, *A Systems Analysis of Political Life* (New York: Wiley, 1965), p. 212.

Elite theory: Approached from the perspective of elite theory, public policy can be regarded as reflecting the values and preferences of governing elite. The essential argument of elite theory is that public policy is not determined by the demands and actions of the people but rather by ruling elite whose preferences are carried into effect by public officials and agencies.

Institutional approach to public policy formulation: governmental institutions such as legislatures, executives, courts, and political parties can play vital role in making and are authoritatively determined to implement public policy. In general, institutional structures, arrangements, and procedures often have important consequences for the adoption and content of public policies. They provide part of the context for policymaking, which must be considered along with the more dynamic aspects of politics, such as political parties, groups, and public opinion, in policy study.

✚ **Incremental model:** This model views public policy as a continuation of past government activities and with only small increase or decrease in quantity as well as regular modifications. Decision makers do not annually review the whole range of existing and proposed policies, identify the societal goals and research the benefits and costs of alternative policies.

✚ **Rational model:** This model employs micro economic theory to the analysis and explanation of political behavior of decision making. A rational policy is intended to achieve maximum social gains. Public policy can be adopted if the social benefit exceeds its costs. No policy should be adopted if the costs exceed its benefits.

4.5. Processes and stages of policy making

There are different types of public policy processes but for the purpose of this paper, Anderson's model of the policy process has been taken to elaborate policy processes. He developed a five stage model of policy process and these include: problem identification and agenda setting, formulation, adoption, implementation, and evaluation (Anderson, 1984:19).

✚ **Problem identification and agenda setting:** this focuses on how problems are identified and specified. How governmental bodies decide what problems to address. What is a public problem? Why does some matter become a public problem or some others are not? How does a problem get on a governmental agenda?

✚ **Public Policy Formulation:** this encompasses the proposed courses of action for resolving public problems. Who participates in policy formulation? Who crafts the goals, priorities and options, costs and benefits of each option, externalities of each option. It involves identifying a set of policy alternatives and public policy tools to address a problem. Thus, policy proposals can be formulated through political channels by policy-planning organizations, interest groups, government bureaucracies, state legislatures, and top political leaders.

✚ **Public policy Adoption/Legitimization:** Policy is legitimized as a result of the public statements or actions of government officials, both elected and appointed in all branches and at all levels. This includes executive orders, budgets, laws and appropriations, rules and regulations, and decisions and interpretations that have the effect of setting policy. It involves deciding which proposed alternative, including taking no action, will be used to handle a problem. How is a policy alternative adopted or enacted? What requirements must be met? Who are the adopters? What is the content of the adopted policy?

✚ **Public Policy Implementation:** Policy implementation includes all the activities that result from the official adoption of a policy. Policy implementation is what happens after a law is passed. The implementation process is not the end of policy-making, but a continuation of policy-making by other means. When policy is pronounced, the implementation process begins. Hence, policy implementation focuses on what is done for effective implementation of

public policy? Who is involved? How does implementation help shape or determine the content of policy?

✚ **Policy Evaluation:** It employs evaluation principles and methods to examine the content, implementation and the impact of a policy. Policy evaluation uses a range of research methods to systematically investigate the effectiveness of policy interventions, implementation and processes, and to determine their merit, worth, or value in terms of improving the social and economic conditions of different stakeholders.⁸ Moreover, it evaluates if the policy objectives have been achieved or have other consequences? Who is advantaged and disadvantaged by a policy? Are new problems identified? Is the policy process restarted because of evaluation?

✚ **What is a good policymaking?** According to Curtain (2000), there are certain features of a good policymaking process. These include: forward and outward looking; innovative, flexible and creative; evidence-based and inclusive; communicative; evaluation and review. Whereas poor policymaking often results from unintended consequences.

5. Rural/agricultural policies and strategies in Ethiopia

5.1. Overview of agricultural policies and strategies

The Ethiopian Rural/Agricultural policies and strategies have undergone several changes during the past three regimes in terms of focus and major goals. In all cases, the central objectives of the policies have been to improve agricultural productivities by creating a favorable environment that could promote the sector. However, the policies and strategies which have pursued by the three successive regimes were different depending on the political economy of respective regime. Hence, the different paths of agricultural policy making and implementation have been followed in the past and present regimes and are described below.

5.1.1. *Agricultural Development during the Imperial Period.*

During the imperial period, the development of the agricultural sector was retarded by a number of factors, including tenancy and land reform problems, the government's neglect of the agricultural sector (agriculture received less than 2 percent of budget allocations even though the vast majority of the population depended on agriculture), low productivity, and lack of technological development. Moreover, the emperor's inability to implement meaningful land reform perpetuated a system in which aristocrats and the Church owned most of the farmland and in which most farmers were tenants who had to provide as much as 50% of their crops as rent.⁹

The imperial regime implemented three consecutive Five-Year plans (1957-1961, 1962-1967 and 1968-73). The First Five Year Plan (FFYP) was aspired to monetize and integrate agriculture with an industrial economy through the promotion of large-scale commercial farms to meet export and the growing consumption demand of its people. Two strategies were employed to increase agricultural productivity. These were extensification (extending the surface land used for cultivation by local and foreign investor to promote large scale commercial farms) and intensification (increasing labor productivity on the cultivated farm fields). To intensify

⁸CDC, Office of the Associate Director for Program. (2012,September). A framework for program evaluation. Retrieved from <http://www.cdc.gov/eval/framework/index.htm>

⁹ Wubne, M.(1991). "Agriculture". *A Country Study: Ethiopia* (Thomas P. Ofcansky and LaVerle Berry, eds.) Library of Congress Federal Research Division (1991). *This article incorporates text from this source, which is in the public domain.*

productivity on these holdings, the government endorsed the development of agricultural extension services that capitalized the provision of improved farming tools, popularization and distribution of improved seeds and the instruction of modern farming techniques to peasants. Moreover, small holder agriculture was deemed to increase yield of marketable crops and industrial raw materials. Despite the FFYP's aspirations to monetize and integrate agriculture with an industrial economy, through the promotion of large-scale commercial farms, the country could not even meet the growing consumption demand of its people.¹⁰

The Second Five Year Plan (SFYP) began recognized that the country has become an important wheat importer instead of exporter. The failure was attributed to lack of attention given to the small holders' peasant agriculture. Hence, in the SFYP, the remedy for such food failure was increasing production through expanding agricultural extension services and this could be done by introducing advanced methods of farming and improved technical means in the peasant sector of the economy. This is so because the livelihood of the majority of the people depends on subsistence agriculture and attention should be given to this subsection of the economy.¹¹ However, the objectives set in the SFYP were not successful and the major problems were attributed to the feudal land tenure system which was the major obstacle against the development of agriculture. Besides, the problem was also attesting that there was not any genuine political commitment on the part of the Imperial regime to address the challenges facing peasant agriculture.¹²

Finally, the Imperial regime introduced the Third Five Year Plan (TFYP) to launch a policy shift by emphasizing on modernization of smallholder agriculture. This plan introduced the Comprehensive and the Minimum Package Programs focusing on improving agricultural production on farms of individual households and organized groups, respectively, were introduced in some parts of the country.¹³ The success of the Comprehensive Package Program, however, was limited because of its high requirements in terms of modern agricultural inputs and skilled human power, unfavorable land tenure regime, and poor infrastructural and market development.¹⁴ The Minimum Package Program too did not entail significant progress due to failure in introducing a more dynamic farming system drawing on the experiences of smallholders.¹⁵

5.1.2. Agricultural Development during the Derg Period.

In 1974, the Imperial regime was toppled down by the military committee known as 'Derg'. The military regime embarked on the socialist path of agricultural development and was dictated based on socialist production relations. No longer the military regime had introduced a radical agrarian reform signified by Rural land Proclamation in 1975 abolishing the feudal tenure system by way of nationalizing all rural land and redistributing it to the tillers of the land, the peasants.¹⁶

¹⁰ Ibid.pp.67.

¹¹ Dessalegn Rahmato (2004), "The Agricultural Policies of the Imperial Regime: What Lessons Can We Draw?"

¹² Spielman, D. J., K. E. Davis, M. Negash, and G. Ayele (2006), "The Smallholder Farmer in a Changing World: The Role of Research, Extension and Education in Ethiopian Agriculture", Ethiopian Strategy Support Program (ESSP) Policy Conference, Brief No. 12, Addis Ababa: International Food Policy Research Institute (IFPRI) and Ethiopian Development Research Institute (EDRI).

¹³ Dejene Aredo (1990), "The Evolution of Rural development Policies", in Pausewang, S., Fantu Cheru, Stefan Brune and Eshetu Chole (eds.), Ethiopia: Rural Development Options, London: Zed Books.

¹⁴ Ethiopian Economic Association –EEA (2004/05), Report on the Ethiopian Economy, vol. IV, Addis Ababa: Rohobot Printers.

¹⁵ Dessalegn, 2004.pp.43.

¹⁶ Proclamation No.3.1975. Nationalization of land

A policy document entitled as ‘*Measures for Rural Transformation*’ was developed and disseminated by the then Ministry of Agriculture and Settlement in 1978. It stated that Ethiopian agriculture should be geared towards ensuring sufficient production for the growing population, exportable crops for foreign exchange, to guarantee the supply of primary goods for local industries, and provide employment opportunities. To this end, the introduction of better agricultural inputs, the politicization of Peasant Associations and the Development of Producer and Service Cooperatives were thought to be important.¹⁷ Moreover, agricultural research institutions and farmers plots for adequate provision of improved seeds, fertilizers, new tools and modern agricultural techniques were given attention. The Agricultural Development Units for Minimum package program were expanded to include additional Awrajas to train model farmers and to disseminate inputs and techniques into their surroundings although the model farmers later on became elites who tried to exploit the local people.¹⁸

Besides, many reforms were also introduced for transforming smallholder and these include collective and state farms, producers’ cooperatives which were given privileged access to improve agricultural inputs and technical services, irrigation facilities, productive land to boost production. Service Cooperatives were also created for facilitating favorable access of smallholders to basic goods and services.¹⁹ Despite the intensification of collectivization and cooperatives as major features of the agricultural sector and new agrarian relations, production declined during most of the years of military rule.²⁰

Thus, challenges were observed while implementing the agricultural policies and strategies during the Derg regime. For instance, transport facilities were not made available for the agents that loosened contact and these challenges hampered the progress of planned green revolution ventures in the rural areas. Besides, more emphasis was given to collectivization process than the smallholders and this condition resulted in declining the performance of the sector.²¹ Despite the fact that the military regime emphasized on the collectivization process, the idea was not popular in the eyes of majority of the peasants and smallholder farmers were often forced to join cooperatives because the state used to favor these cooperatives by discriminating the independent peasants in the allocation of inputs such as fertilizers and capital equipment and the like.²²

The military regime also introduced Agricultural Marketing Corporation (AMC) to extract surplus agricultural production and this could be easy for the government once collectivization was realized. Basically, Cooperatives and Peasant Association were used as instruments of political control over the peasants. Party agents were purposely planted among the collectivized peasantry and PA to control them politically in the rigid principles of socialist ideology and to curb their freedom but not to increase agricultural productivity.²³

The government was also promoting mechanized state farms by way of increasing production both for consumption and marketing purposes. For instance, in 1981/82, around 76.42 % of chemical

¹⁷ Kassahun Brhanu(2012). The Political Economy of Agricultural Extension in Ethiopia: Economic Growth and Political Control.

¹⁸ Ibid.pp.15.

¹⁹ EEA (2006/07), Report on the Ethiopian Economy, Vol.VI Addis Ababa: Master Printing Press., Brune, S (1990), The Agricultural Sector: Structure and its performance (1974-1988)”, in Fantu Cheru and Stefan Brune (eds.), Ethiopia: Rural development options, London: Zed Books.

²⁰ Ethiopian Economic Association –EEA (2004/05), Report on the Ethiopian Economy, vol. IV, Addis Ababa: Rohobot Printers.

²¹ Brune, S (1990), The Agricultural Sector: Structure, performance and issues (1974-1988)”, in Fantu Cheru and Stefan Brune (eds.), Ethiopia: Rural development options, London: Zed Books.

²² Wubne, M.(1991). "Agriculture". *A Country Study: Ethiopia* (Thomas P. Ofcansky and LaVerle Berry, eds.) Library of Congress Federal Research Division (1991). This article incorporates text from this source, which is in the public domain.

²³ Zemelak(2011).Local government in Ethiopia. Still an apparatus of control.

fertilizers and 94.8 % of the improved seeds distributed in the country were channeled to the state farms sub-sector. However, the state farms were entangled with serious financial and administrative problems that hamper their efficiency and productivity. Despite the measures taken to strengthen the large-scale farming, the economy and food availability was declining at a very high rate. As a result, The Great Famine (1984/5) in Wollo and Tigray claimed the life of millions of Ethiopians.²⁴ Generally, the agricultural policies and strategies of the Derg regime were failed for a number of reasons. Firstly, the country was in civil war and more than 50% of the country's expenditures went for the army while less than 5% of the country's budget was spent on Agriculture.

Eventually, the Derg endorsed a Ten-Year Perspective Plan (1984/5- 1993/4). The document emphasized on industrialization as an engine for achieving rapid economic development in the country. The document also describes the role of agriculture in providing agricultural inputs for the domestic industries and generated foreign exchange. However, the plan was failed to achieve its objectives due to internal and external problems; low level of domestic saving and low-level investment; higher inflation; a negative trade balance; and the high government expenditure, backward agricultural technologies, fragmented land, drought, ecological degradation and the like.²⁵

In transformation the agricultural sector, reorganization of the peasantry into village settlements and the establishment of producer and service cooperatives should be done. This was so because fragmented land holdings and settlement patterns hindered the improvement of the rural sector and the plan emphasized the urgency of pursuing countrywide resettlement and villagization schemes alongside cooperativities. The promotion of state farms on the other hand was not given due priority as the government's experience with the management of the nationalized large scale commercial farms proved quite unpleasant. For many, the government's campaign to resettle people from drought-stricken areas in the north was imposed on the peasants.²⁶

Following the endorsement of the Ten Years Perspective Plan, a new agricultural development program, namely, the Peasants Agricultural Development and Extension Program (PADEP) was introduced in 1985. To put this program in to effect, the country was first divided to 8 PADEP zones were established based on agro-ecological make up and farming practices. Of the 8 zones, about 250 rural weredas were selected and to be purposely targeted for resource and extensions efforts. The PADEP allocated extension staff where service cooperatives were established. However, the overall performance of PADEP and the achievements recorded were far below the targets initially set due to various reasons. Moreover, the ten years plan was interrupted due to the revolutionary forces in 1991 and the effect of the 10 years plan was unknown.²⁷

5.2. Agricultural development in the post 1991 period.

²⁴ Tafesse Olika (2006). 'Ethiopia: Politics of Land-Tenure Policies Under Three Regimes: A Carrot- and-Stick Ruling Strategy', Alexander A., Kasahun B., and Yonas K (eds.), Ethiopia: Politics, Policy Making and Rural Development, pp: 1-26. Addis Ababa. Department of PSIR, AAU.

²⁵ MoRAD (2008) Agricultural Development, Meaning and its origin in Ethiopia. Addis Ababa. Ministry of Agriculture and Rural Development.

²⁶ Desalegn (2008) 'Agriculture Policy Review', in Taye Tesfaye (eds) Digest of Ethiopia's National Policies, Strategies and Programs, pp:129-151. Addis Ababa.FSS.

²⁷ Tafesse ,O. (2006): 'Ethiopia: Politics of Land-Tenure Policies Under Three Regimes: A Carrot- and-Stick Ruling Strategy', in: Alexander. A./ Kasahun, B./ Yonas, K. (eds.), Ethiopia: Politics, Policy Making and Rural Development, p. 1-26. Department of PSIR, AAU, Addis Ababa.

The military regime was overthrown in May 1991 by the EPRDF revolutionary forces and agriculture was recognized as the engine of development process in the country. Hence, agriculture centered development strategies were formulated and introduced in the mid-1990s to transform the sector and accelerate economic development in Ethiopian.²⁸

5.2.1. *Agricultural Development Led Industrialization (ADLI)*

Agricultural Development Led Industrialization (ADLI) was a strategy basically designed to enhance agricultural productivity of smallholder farmers. It sets out agriculture as a primary stimulus to generate increased output, employment and income for the people and used as a springboard for the development of the other sectors of the economy.²⁹ Current policies towards the development of the agricultural sector and its role in the Ethiopian economy as a whole are guided by the strategy of ADLI which has been put forward by the Government of Ethiopia in 1993. ADLI has been expected to bring about a structural transformation in the productivity of the peasant agriculture and to streamline and reconstruct the manufacturing sector, so that it makes extensive use of the country's natural resources and manpower.³⁰

ADLI focuses on the smallholder farmers through the diffusion of fertilizers, improved seeds, the establishment of credit schemes, the expansion of the road system and improvement of primary health care, primary education and water supply. The strategy viewed agriculture as the engine of growth, on account of its potentially superior growth linkages, surplus generation, market creation for products of domestic industries, and provision of raw materials and foreign exchange.³¹

Under ADLI, the government set out: first, to improve agricultural technologies, particularly seeds; second, to expand irrigation, infrastructure, and the use of modern inputs, including fertilizers and pesticides; and third, to expand rural nonagricultural opportunities.³² This implies that agriculture should be the starting point for the structural transformation of the economy and labor-intensive technologies play an important role.³³

Nevertheless, there are critics towards the efficacy of ADLI. Firstly, it tends to disregard labor productivity by focusing on land productivity despite the fact that the main problem of Ethiopian agriculture is low labor productivity.³⁴ Secondly, ADLI emphasized the supply side with little concern for demand in the face of low purchasing power of the rural people. Hence, it is questionable that increased production alone could entail higher farmer income in the absence of adequate demand³⁵. Thirdly, it is claimed that given its fragmented nature and the small size of per

²⁸ Kasahun, B. (2012). *The Political Economy of Agricultural Extension in Ethiopia: Economic Growth and Political Control*

²⁹ Dessalegn Rahmato (2008), "Ethiopia: Agricultural Policy Review", in Taye Assefa (ed.), *Digest of Ethiopia's National Policies, Strategies and Programs*: Addis Ababa: Eclipse Printers.

³⁰ Stefan, D. and Andrew, Z. (2009). *Rethinking Agriculture and Growth in Ethiopia: A Conceptual Discussion. Paper prepared as part of a study on Agriculture and Growth in Ethiopia I.*

³¹ Abyotawi Democracy (2000). *Development Strategies and priority of the Abyotawi Democracy*. EPRDF's publication. An Amharic version. P.O.Box 80007, Addis Abeba.

³² GOVERNMENT OF ETHIOPIA. *An economic development strategy for Ethiopia: A comprehensive guidance & a development strategy for the future*. Ministry of Planning and Economic Development, Addis Ababa, September 1993.

³³ Ibid. pp.5.

³⁴ Berhanu Nega (2003), "Introduction: Development Options for Ethiopia: Rural, Urban or Balanced?" in Behanu Nega and Befkadu Degefe (eds.), *The Role of Urbanization in the Socio-Economic Development Process*, Addis Ababa: Ethiopian Economic Association/Ethiopian Economic Policy Research Institute.

³⁵ Ibid. pp.37.

capita land holding, peasant agriculture cannot shoulder the burden of transforming the performance of agriculture in a manner that could enable it to play pivotal roles in boosting Ethiopia's development efforts as expected.³⁶

5.2.2. Participatory Agricultural Demonstration Training Extension System (PADTES).

A year after, the Ethiopian government had formulated a smallholder intensification extension program known as PADTES to attain agricultural productivity. PADTES was formulated in 1994/95 primarily based on the experience and success story of Sasakawa Global 2000 program.³⁷ The strategy was a technology-based, supply-driven intensification which consisted of enhanced supply and promotion of improved seeds, fertilizers, on-farm demonstrations of improved farm practices and technologies, improved credit supply for the purchase of inputs and close follow up of farmers' extension plots.³⁸

Government intervention in the smallholder sector was required to deal with the problem of low agricultural productivity, shortage of productive farm land chronic rural poverty, high natural resource degradation, and a self-reinforcing situation among these problems. This convinced government officials to introduce such program.³⁹ The main objective of PADTES was to achieve pro-poor sustainable development in rural areas through increasing farm productivity, reducing poverty and increasing the level of food security. Hence, wider dissemination of improved farm technologies, management practices and know-how to the smallholder farmers has been the major activities of the federal and regional governments in a massively expanded extension program.⁴⁰

According to the assessment of the PADTES program, key constraints faced to sustainable intensification and pro-poor growth of smallholder agriculture in Ethiopia, and particularly the northern and central highlands were identified. The new system has given prominent attention to the role of chemical fertilizer, improved seeds and credit in ensuring food security.⁴¹ However, comparing to other African states, still very low. Besides, most of the households (78% who were participating in the extension package program) used an incomplete package of crop production, lacking one or more of the major components. Apart from fertilizers and improved seeds, irrigation and the use of modern farm machinery, other components of the modernization package are almost non-existent.⁴²

5.2.3. The Rural Development Policy and Strategies (RDPS, 2003)

The RDPS presents specific policies and strategies to guide agricultural and rural development, based on the ADLI platform. The RDPS recognizes that the development effort in rural areas cannot be limited to agriculture alone. There is a need for rural infrastructure and social

³⁶ Ibid, pp.40-43.

³⁷ Gebrekidane, B. et al (2004). Development and Application of Agricultural Technology in Ethiopia: A Discussion Paper. A discussion paper presented on the occasion of celebrating the 50th Anniversary of the establishment of the Alemaya University, October 23 and 24, 2004.

³⁸ Kassa, H (2005). Historical Development and Current Challenges of Agricultural Extension with particular emphasis on Ethiopia. Ethiopian Economic Association, Addis Ababa.

³⁹ MoA, 2003. Performance Report of the Agricultural Extension Department (Amharic Version). June 2003, Addis Ababa.

⁴⁰ Samuel, G (2006). Intensification of Smallholder Agriculture in Ethiopia: Options and Scenarios. Paper prepared for the Future Agricultures Consortium Meeting at the Institute of Development Studies.

⁴¹ MoRAD (2008): Agricultural Development, Meaning and its origin in Ethiopia. Ministry of Agriculture and Rural Development, Addis Ababa

⁴² EEA(2004/5).

development program and for trade and industry to build on and support developments in agriculture. Key elements of the RDPS include: rural and agricultural centered development as a means of: ensuring rapid economic growth; enhancing benefits to the people; eliminating food aid dependency; and promoting the development of a market-oriented economy. It also sets out five basic directions for agricultural development. These include: the labor intensive strategy, proper utilization of agricultural land, a “foot on the ground”, differentiation according to agro-ecological zones, and an integrated development path.⁴³

5.2.4. Plan for Accelerated and Sustained Development to End Poverty (PASDEP).

PASDEP was designed to be implemented from 2005/06 to 2009/10 and it included six fundamental agricultural development strategies: adequately strengthened human resources capacity and their effective utilization; ensuring prudent allocation and use of land; adaptation of development compatible with different agro-ecological zones; specialization, diversification and commercialization of agricultural production; integrating development activities with other sectors; and establishment of effective agricultural marketing systems.⁴⁴

5.2.5. The Five-Year Growth and Transformation plan (GTP1)

GTP1 recognizes the pivotal role of agriculture and rural development, and plans for accelerated growth for the sector on the basis of solid performance in the previous plan period as well as growing demand for food and industrial raw materials. Infrastructure development has also created opportunities for large scale private investment in the sector including horticulture and extensive arable agriculture in areas with under-utilized land resources. Smallholder agriculture, however, is expected to remain the principal source of agricultural growth. Increasing male and female smallholder productivity and production is the main thrust of the plan and will be achieved in three major ways.⁴⁵ First, by scaling up best practices used by leading farmers whose productivity is two and three times higher than the average. Second, by improving the management of natural resources with a focus on improving water utilization and the expansion of irrigation. Third, by encouraging farmers to change from low value to high value products in order to increase their cash incomes, with complementary investments in market and infrastructure development. These initiatives will be supported by farmer training and measures to improve access to agricultural inputs and product markets using cooperatives as the delivery mechanism.

The GTP1 predicts differentiation among the three main agro-ecological zones. In the adequate moisture areas, the focus will be on scaling up best production and marketing practices to increase productivity by supplying agricultural inputs and providing training to development agents (DAs) and farmers. Particular attention will be given to soil fertility management using organic and inorganic fertilizers; improved rain-fed agronomic methods; irrigation and improved water use efficiency; production and distribution of seed; natural resource conservation; livestock and forage development; capacity building, and strengthening research-extension-farmer linkages. According

⁴³ Federal democratic republic of Ethiopia Ministry of agriculture and rural development Ethiopia's. Federal democratic republic of Ethiopia Ministry of agriculture and rural development Ethiopia's: 2010-2020.

⁴⁴ Ibid.pp.15.

⁴⁵ Ibid.pp.16.

to the government report of GTP1, agriculture was expected to grow more than 8 percent; however, the sector has registered 6% growth which was below what was planned.⁴⁶

5.3. Major challenges and constraints of agricultural development in Ethiopia

Ethiopian agriculture has been suffering from various external and internal problems. It has been stagnant due to poor performance as a result of factors such as low resource utilization, for instance, the proportion of cultivated land compared to the total amount of land suitable for agriculture and the amount of water available for irrigation is far below the capacity and thus compels the sector to be rain fed, low-tech farming techniques, over-reliance on fertilizers and, underutilized techniques for soil and water conservation; inappropriate agrarian policy; inappropriate land tenure policy; ecological degradation of potential arable lands; increases in the unemployment rate due to increases in the population.⁴⁷

According to Yonas Ketsela, the main structural constraints for Ethiopian agriculture include: archaic mode of production and low uptake of technological innovations, which in turn yield low levels of productivity; degradation of land and other natural resources due to intense cultivation and overgrazing; recurrent drought, civil strife and political unrest; effective policies governing such issues as land ownership, land titles, land fragmentation, credit systems and land and crop insurance mechanisms are not available or are very limited; and neglect and lack of agricultural investment. These constraints, coupled with the rapid population growth, have significantly contributed to the problem of food insecurity since the 1960s.⁴⁸

5.3.1. Land Tenure policy, smallholder and the major constraints

Many Ethiopian scholars argue that land tenure and related issues depend on the political as well as economic history of the country. Land rights have been and remain a central problem in the development of the agricultural sector. Hence, the issue of the landholding system was at the core of Ethiopian politics during the feudal system, the military government, and the current government.⁴⁹

In the Imperial regime, land holding systems were divided in three: the Rist which meant access to land based on one's lineage, the Gult was land allocated to the Orthodox Church, and the crown (state) lands. However, when the Derg came to power, peasants were given use right but it was public property. The current land policy is stated in the Federal constitution and other laws. According to FDRE constitution Art. 40, the ownership of rural and urban land exclusively vested in the state and the people. Despite the fact that the aforementioned the current policy is said to be better than the previous policies in defending the rights of smallscale farmers as development partners, it is highly criticized for not giving adequate ownership rights to farmers.⁵⁰

⁴⁶ MoARD (2015). Government report on Growth and Transformation Plan. A discussion paper presented for government officials. August.25,2015.

⁴⁷ Haile, K. (1998): Land Reform: Revisiting The Public Versus Private Ownership Controversy, Ethiopian Journal of Economics 7(2), p. 45–64

⁴⁸ Yonas, K. (2006): Post-1991 Agricultural Policies: The Role of National Extension Program in Addressing the Problem of Food Security, in: Alexander A.,Kasahun B., and Yonas, K. (eds.), Ethiopia: Politics, Policy Making and Rural Development, Department of PSIR, AAU, Addis Ababa

⁴⁹ Tafesse ,O. (2006): 'Ethiopia: Politics of Land-Tenure Policies Under Three Regimes: A Carrot- and-Stick Ruling Strategy',in: Alexander. A./ Kasahun, B./ Yonas, K. (eds.), Ethiopia: Politics, Policy Making and Rural Development, p. 1–26. Department of PSIR, AAU, Addis Ababa

⁵⁰ Ibid.pp.17.

Nevertheless, the EPRDF's land policy has been criticized for the following vital points: (i) it promotes insecurity of tenure; (ii) it is inefficient because it limits land transactions and has inhibited the emergence of a dynamic land market; (iii) it promotes fragmentation of land and growing pressure on land resources; (iv) small scale farmers are the key actors in Ethiopia's current development strategies; (v) it gives the state immense power over the farming population because land is state property. In the light of these points, the current land policy has been criticized by most members of academia and the opposing political parties.⁵¹

Tafesse Olika argues that the current land tenure system should be arranged in the following three principles. The first shall be security of tenure which involves the right to use land without fear of any form of eviction for political or any other petty reasons. Thus, if there is tenure security, farmers would invest in their land and can increase productivity. Secondly, farmers' rights and obligations on their land should be explicitly described. Thirdly, farmers' freedom to use land as collateral to secure credit from banks, which might help finance investments on land for better productivity and agricultural development.⁵²

Workneh Nigatu, another scholar who conducted on tenure security, argues that tenure security and the size of farm lands are two most important determinants of farmers' application of improved technology. He stresses that farmers' decisions in favor of using advanced technologies, land management practices, and farm enterprise patterns that improve productivity depends on land tenure systems which may affect future returns from current investments in land improvement. In addition to land tenure security, Workneh argues that the size of farm land determines what kinds of improved technologies can be applied. The application of suitable land management techniques such as crop rotation, agro-forestry, inter-cropping, and soil erosion control is generally negatively influenced by the fragmentation of farm land. He stresses that the smaller the size of the farm plots, the less frequently the farmers apply improved technologies.⁵³

5.3.2. Land fragmentation and smallholder productivity

Ethiopia is a country of smallholder agriculture. According to the CSA (2002), in the 2000 cropping season, 87.4 % of rural households operated less than 2 hectares; whereas 64.5 % of them cultivated farms less than one hectare; while 40.6 % operated land sizes of 0.5 hectare and less.⁵⁴ A study undertaken by Nega et al (2003) shows that landholding is one of the factors that constrain farm income and the level of household food security.⁵⁵

As landholding declines, per capita food production and farm income also decline, indicating that extremely small sized farms cannot be made productive. Farmers with fragmented land are highly vulnerable to food and income insecurity. The average farm size is considered by many to be small

⁵¹ Desalegn, R. (2006): 'Access to Land and Agrarian Class Differentiation', in: Desalegn, R./ Assefa, T. (eds.), Land and the Challenge of Sustainable Development in Ethiopia: Conference Proceedings, p. 3–18. FSS, Addis Ababa

⁵² Tafesse Olika (2006).pp.19.

⁵³ Workneh, N. (2006): 'Land Tenure and Technological Improvement in Smallholder Agriculture in Ethiopia', in: Desalegn, R./Taye A. (eds.), Land and the Challenge of Sustainable Development in Ethiopia: Conference Proceedings, p. 147–166. FSS (Forum for Social Studies), Addis Ababa

⁵⁴ (CSA, 2002).

⁵⁵ Berhnanu Nega, Berhanu Adnew and Samuel GebreSelassie (2003). Current Land Policy Issues in Ethiopia. In: P.Grosso (2003). Land Reform 2003/3. Land Settlement and Cooperatives. Special Edition. World Bank and UN Food and Agriculture Organization.

to allow sustainable intensification of smallholder agriculture. Empirical evidence shows that the probability of adopting fertilizer and improved seeds decreases with declines in farm size.⁵⁶

5.4. Rural/agricultural policy evaluation

Agriculture as a corner stone of rural lives plays a pivotal role in human history. Ethiopia is one of the highly agricultural dependent countries. The majority of the people subsidize their lives in sedentary mixed farming; be it crop production or livestock production. As a matter of fact, there should be well organized policy for agricultural and rural development to help the rural people to help themselves. Ministry of finance and economic development under the FDRE government formulated policies and strategies for the rural and agricultural spheres.⁵⁷

The agriculture-centered rural development policy has been adopted as a major strategy expected to assist in the realization of the country's economic development objective. Nevertheless, the rural development effort is not something that can be regarded as just one element in the overall economic development package. It is more than just that. Rural development constitutes the plank that underlies all other efforts towards economic development. The reason for repeated mention of the nature of economic policy in Ethiopia being agriculture and rural-centered is because this is the basis for implementing the overall economic development objective and the guiding principle for our development efforts.⁵⁸

The FDRE clearly stipulated basic objectives with regard to economic development: to build a market economy whereby a broad spectrum of the Ethiopian people are beneficiaries; dependence on food aid is eliminated; and, rapid economic growth is assured. Given the rural nature of most livelihoods in Ethiopia, fulfilling the above economic development objective requires a comprehensive rural development vision as well as practical action to realize it. Moreover, the dominance of agriculture in the Ethiopian economy, the rural development effort is presently associated with agricultural development.⁵⁹

Rural and agricultural development policies in Ethiopia include the following: strengthening the agricultural labor force; Proper use of land; preparing area compatible development package; working towards market - led agricultural development; improving on rural finance; towards promoting private sector participation in agricultural development; expansion of rural infrastructure; strengthening non-agricultural rural development activities.⁶⁰

Ethiopia's rural and agricultural development policy by its own nature is a 'top-down' approach. It imposes policies and strategies to the rural poor. The policy is the ideal type that formulates the way that the government want the farmer to be. The policy should and have to be rural-based and

⁵⁶ Mulat Demeke. 1999 Agricultural Technology, Economic Viability and Poverty Alleviation in Ethiopia. Agricultural Transformation Policy Workshop. Nairobi. Paper Presented to the Agricultural Transformation Policy Workshop Nairobi, Kenya, 27-30 June 1999

⁵⁷ Alemayehu Seyoum, et. Al. (2006) Agricultural Growth Linkages in Ethiopia: Preliminary Results from a Fixed-Price Model, EEA/IFPRI Seminar, Addis Ababa

⁵⁸ (MoFED, 2003).

⁵⁹ (MoFED, 2003).

⁶⁰ Mellor J.W., and P. Dorosh. 2010. *Agriculture and Economic Transformation of Ethiopia*. International Food Policy Research Institute-ESSPII Working Paper 10. Addis Ababa:IFPRI.

rural people's view. In Ethiopia there are diverse culture and multi-ethnic groups which have diverse stand and background. Therefore, understanding the inner logic and indigenous knowledge of the rural people is very important. The policy should touch the place where uneven development is carried out.⁶¹

Development is not only worth doing with economic growth. When we think of development, it should at least constitute three basic elements in relation to rural and agricultural development policy in line with the actual implementation. These basic elements are: basic needs of life, self-respect, and freedom. As it has been described above, the Ethiopian government formulates the rural and agricultural development policy. But these policies are still remaining as paper value. When we come to the implementation, it remains in its childish sense.⁶²

Strengthening the agricultural labor force is a good thing but, how? Is it based on outsiders view point or based on community potential? In our case the, governmental policies in this issue believed that there would be rural and agricultural development whenever there is modern trained farmer. In this regard, trainings by development agents may result in increased productivity. It is one of the means but not the end by itself. The idea is clear and simple but the question is; do the development agents heartily contribute their part for the increment of agricultural productivity? In fact, agents should intervene in the agricultural activity with their full expert, but, they are not performing their duty properly and responsibly. The other problem is it's hard to find trained and literate farmer in our country as the government advocate.

The issue of preparing area compatible development package is ideally very interesting and it is a good way that different developed countries passed through this path. In our case, the issue of diversification and specialization is remaining in principle. What are the inputs for diversification? With the fast growing of population, access to arable land in our country becomes a serious problem. Even the farmers are afraid to adopt new ideas and innovation as trial and error and still the farming practice persists its form; its ox and plough, no change. But, the government award model farmers every year not because of their productive and creative being rather their capability to perform the government's political mission. What I want to say in this aspect is the government exaggerates the success of farmer. Actually, this is a good trend which makes the farmer compete for productivity.

The government advocates the 'free market' economy that market-led agriculture can be the vehicle for country economic development. The policy says that the farmers have to produce market oriented products. It says in the policy that it is our firm belief that economic development in Ethiopia can only be realized through the free market economy. Sustained and accelerated economic growth, broad participation in such growth, and poverty reduction are all dependent on our effective adaptation and application of the principles of the free market economy to Ethiopian conditions. Hence, as our goals of development, we include the creation of a market-oriented economy.

⁶¹ Mellor J.W., and P. Dorosh. 2010. *Agriculture and Economic Transformation of Ethiopia*. International Food Policy Research Institute-ESSPII Working Paper 10. Addis Ababa:IFPRI.

⁶² Desalegn, R.(2008): 'Agriculture Policy Review', in: Tesfaye, T. (eds) Digest of Ethiopia's National Policies, Strategies and Programs, p. 129-151. FSS, Addis Ababa

In this argument what every one of us realized is that free from what? The government of our country is already intervening in the market, but the paradox is what is said different from what actually doing. There is no free market in our country. In the first place the market is not accessible easily to the local farmers. They travel long to get market place; there is no transport access to the rural people. Who is more beneficiary from the market are the urban intermediaries who buy product in a cheap value. Generally, this mechanism is a means of exploiting the rural farmers from their product

6. Rural non-farm employment

Agriculture alone cannot alleviate rural poverty. In all rural communities, the promotion of sustainable off-farm enterprises is necessary to generate more and better jobs. The provision of infrastructure, including Information and Communications Technologies (ICTs) and Market Information Systems (MIS), credit facilities and the development of innovative economic alternatives such as processing, sustainable tourism and services will lead to sustained economic diversification. Agricultural value chains can play a key role in generating employment and reducing poverty in rural areas, providing the benefits are not confined to large farms and exporters which are able to access global markets at the expenses of medium-sized and smaller producers.

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This requires policies that support smallholders and strengthen producer organizations so that farmers can achieve economies of scale in production and marketing and acquire new skills. On-farm activities are increasingly important in rural areas: a growing share of households participates in them, while they provide increasing proportions of rural household income. Primary employment data, which offer the most widely available indicator of the scale of rural non-farm activity, suggest that the Rural Non-Farm Economy (RNFE) accounts for about 30% of full-time rural employment in Asia and Latin America, 20% in West Asia and North Africa and 10% in Africa.

In addition, rural households are ever more likely to have migrants who have moved within the country, to neighboring countries or to a distant international destination. In sum, rural households are generally adopting an increasingly diverse range of activities. Rural non-farm employment holds special importance for women. Women account for about one-quarter of the total full time RNFE workforce in most parts of the developing world. Given their frequently heavy household obligations and more limited mobility, women also participate in part-time RNFE activity, particularly in household-based manufacturing and service activities.

The rural non-farm economy houses a highly heterogeneous collection of trading, agro-processing, manufacturing, and commercial and service activities. Even within the same country, strong differences emerge regionally, as a result of differing natural resource endowments, labor supply, location, infrastructural investments and culture. Despite a common policy emphasis on rural industries, manufacturing typically accounts for only 20-25% of rural non-farm employment, while trade, transport, construction and other services account for 75% to 80%.⁶⁴

⁶³ Lanjouw, J.O and Lanjouw, P. (1995) Rural Non-Farm Employment, A survey. Background for world Development Report 1995, the World Bank.

⁶⁴ Haggblade, S, Hazell, B and Reardan T. (2007) Transforming the Rural Non-farm Economy, Opportunities and Threats in the Developing World. John Hopkins University Press, Baltimore

The composition of services differs as well. While rural areas house small retailers, basic farm equipment repair services and input supply firms, other services such as primary schooling, health clinics, barber shops, milling and transport facilities tend to locate in small towns. Larger settlements attract cinemas, restaurants, wholesale distributors and higher-level school, health and communication facilities.

Remittances account for a large share of rural income in some locations. They likewise form an important part of household income diversification and risk reduction strategies. In most rural settings, however, local business and wage income account for a majority of non-farm earnings, while remittances and transfers including those from international migrants typically account for 15% to 20% of non-agricultural rural income and 5% to 10% of total rural income. These conditions and the opportunities change during development. In an initial stage, rural economies are often remote from urban centers, isolated by transport costs. The wealth of the rural economy thus depends in part on the richness of local resources, and in part on the ability to find activities that can earn revenues beyond the local economy; revenues that can both pay for goods and services brought in and which when spent locally can stimulate manufacturing and services.⁶⁵

Rural non-farm activity is thus likely to be closely linked to agriculture, but possibly also mining or tourism. Increasingly productive modern agriculture requires inputs and services such as seeds, fertilizer, credit, pumps, farm machinery, marketing and processing of farm produce which, in turn, create a growing demand for non-farm firms that can provide these services. Farm households, as their incomes grow, increase their expenditure share on non-food items, thereby accelerating demand for non-farm goods and services such as housing, clothing, schooling, health, prepared foods, visits to town, to the cinema and to the tea shops, all of which dramatically increase demand for rural transport services. To meet this growing demand, rural households increasingly diversify into production of rural non-farm goods and services. In regions where agriculture has grown robustly, the RNFE has also typically enjoyed rapid growth.⁶⁶

At a later stage, as cities grow and transport costs to urban areas fall, there is more scope for interaction with the rest of the national economy and indeed with the global economy. Rural areas may be able to provide services for the urban economy in leisure and recreation, environmental maintenance including water supply, and housing for commuters. Some rural residents may be able to commute into towns and cities and earn their living there. Although closer links may see rural craft industry wither in the face of competition from factory-made goods, some urban industries may seek green-field with rural units to manufacture parts, thereby stimulating new manufacturing in rural areas. In the best cases, such diversification represents taking up opportunities to improve livelihoods and reduce poverty, or at least ways to reduce risks and vulnerabilities. At worst, it can reflect a desperate search for ways to make ends meet in the face of rising population and insufficient jobs in longstanding activities.⁶⁷

7. Outcomes of rural policy in Ethiopia

⁶⁵ Haggblade, S, Hazell, B and Reardan T. (2006) .The Rural Non- Farm Economy: Pathway out of Poverty or pathway in? Transforming The Rural Non-farm Economy (Baltimore, John Hopkins University Press, 2006.

⁶⁶ (Haggblade et al., 2007).

⁶⁷ Davis, J. R (2004) The Rural Non-Farm Economy, Livelihoods and Their Diversification: Issues and Options. Chatham, UK Natural resources Institute.

During the past 20 years, the government heavily invested in transportation infrastructure in order to build, improve, and maintain important arteries between major cities. These improvements have had a drastic impact on communication and mobility of goods between large cities, forming agglomeration economies and urban networking, but rural populations that are far from these major arteries remain distant from economic opportunities outside of the agricultural sector.

Despite growing efforts by the federal government and regional states, the rural road network remains limited with a third of Ethiopia's population further than five hours from a city of 50,000 people. In order to enhance rural urban linkages, key roads and transportation links in the rural hinterlands where agricultural potential is high should be assessed and evaluated for possible growth linkages to urban areas. Facilitating labor movement, in the form of providing more secure land rights, greater access to education and healthcare, and improved access to rural markets will allow rural inhabitants to diversify incomes as well as provide stronger linkages to urban centers and greater potential for agricultural intensification through improved access to key inputs.

As agricultural productivity and rural demand for goods and services increase, a niche is created for small towns to support these needs, thereby producing jobs in the non-farm rural sector (Tacoli 2003, 1998). Small towns can also render urban markets more accessible, by reducing the transaction costs of distributing goods due to their proximity to urban areas. Additionally, the rural non-farm sector provides a source of risk diversification, for example, by adding employment opportunities for local artisans.

Promoting income diversification activities in rural areas and fostering small businesses and micro-industries in the small town and urban areas will enhance the economic outcomes in all spatial spheres, but these benefits do not come without costs. A critical element to improving livelihoods in the rural and urban areas is providing residents with the necessary tools and public services to foster innovation and effective income earning opportunities. This includes provision of public health and education services to rural communities through small town networks and agricultural / health extension agents.

However, there are still several challenges which can hinder the rural transformation processes. Some of these include: increasing land pressure, environmental degradation, small farm size most land holdings(land fragmentation), limited transportation networks between rural and urban areas make transportation costs high and inhibit the flow of goods, people and information. Overcoming these constraints is key to maintaining high economic growth and rapidly reducing poverty in Ethiopia.

8. Conclusions

The recent economic growth was the slow structural transformation. Structural transformation is defined as the reallocation of economic activity across three broad sectors (agriculture, manufacturing, and services) that accompany the process of modern economic growth. In another word, structural transformation is a shift of resources and policy focus from traditional sectors to modern sectors, from the traditional activities to modern activities and from low productivity and limited technology for high productivity and advanced technology.

The sustainable economic development in the given country should be dominated by industrial which increase the productivity of agriculture and the service sector. In Ethiopia, in contrast to

this, structurally, the service sector has slowly taken over the lead from agriculture in terms of its contribution to the gross national product. The economic growth in the country was accompanied by higher pro-poor spending. During the last five years, the government spending on poverty and social spending was significantly increased tremendously.

Although agriculture has been the foundation for economic growth throughout Ethiopia 's history and will continue to be central to future economic growth and poverty reduction, but still the sector is unable feed the country's population. Public investments and other development policies will play a huge role in reducing poverty or actually impedes equitable economic development.

As Ethiopia moves forward, it faces key development policy decisions. Since the late 1990s, the country has followed an Agricultural Development Led Industrialization (ADLI) policy emphasizing investments to increase agricultural productivity and spur growth linkages with the rest of the economy. At the same time, government policy has been designed to slow rural-urban migration through regulations prohibiting sale of land, loss of land rights for those who leave rural areas, and registration requirements for new migrants.

Allocation of public investments across sectors and across rural-urban space, together with land policies and various regulations on labor mobility, will be major determinants of the growth path of Ethiopia's economy and the extent of poverty reduction in the coming decade. It is indicated that investments in increasing agricultural productivity, particularly in favorable agro-ecological environments and in a context of industrial productivity growth at rates similar to those in 2005-2009, still provide the best pathway for overall reductions in poverty in Ethiopia.

Moreover, it can also be concluded that removing existing constraints to internal migration can speed the spatial and structural transformation of Ethiopia, promoting economic growth and urban industrial development. The key is a judicious balance of public investments to promote agricultural growth and provide enough urban infrastructure and services to prevent a rise in urban congestion costs. In this way, it is hoped that Ethiopia can accelerate its development, achieving both rapid overall growth and rapid poverty reduction in rural and urban areas.

However, the challenge for eradicating absolute poverty and alleviating hunger in Ethiopia is best achieved by pursuing an economic growth strategy that transforms the currently low productivity and huge agricultural sector, where 85 percent of the population makes it's livelihood. This challenge can be met by developing private and public institutions that promote the four prime movers of agricultural development identified earlier in this paper "Appropriate technologies-produced by public and private investments in agricultural research; human capital investments and vocational skills of poor people by investment in private and public schools, training programs, on-the-job experience and health; investment in infrastructure such as dams, irrigation facilities, telecommunications and roads; and investments in farmer support institutions such as marketing, credit, fertilizer, and seed distribution systems".

Each of the above movers is important and complementary. But, the analysis of this paper underscores the critical need to develop agro-ecologically or locally specific technologies to raise crop productivity, and to invest in infrastructure and in agricultural support institutions such as marketing and credit in order to overcome problems of productivity and weak linkages within the rural economy. The paper also implies that success in transforming agriculture along these lines

can reduce natural resource degradation, and thereby enable Ethiopia to break out of the absolute poverty-environmental degradation-food insecurity trap.

9. Recommendation

Sustained growth to reduce rural poverty requires significant growth in agricultural value-added activities. It also requires multi-sectoral approaches that support agribusiness and rural diversification. Pro-poor growth policies should be designed to help the most vulnerable. This will include policies to support smallholders and strengthen producer organizations to achieve economies of scale in production and marketing and upgrade their technical capacities. In the same vein, special efforts should be made to design and implement policies that favor women and young people.

The creation of jobs that increase rural incomes and staunch the flow of young people into towns and cities requires significant increases in investment in water management, agriculture and research and extension. There is also a strong case to be made for increasing public services in rural areas. Policymakers should also address the vulnerability of farmers to weather-related shocks and limited farmer capacity, and the distorted incentives that keep farmers in subsistence farming. To be successful, labor market reforms need to be coordinated with other public policies, such as those in the fields of education, agriculture and public works. Strong political leadership and an inclusive integrated approach to rural development which embraces an inclusive multi-dimensional, multi-sector and territorial approach to socioeconomic transformation and encompasses micro, meso and macro-level policies and interventions are needed for rural transformation to happen.

Governance in rural areas could be facilitated by decentralization processes which devolve resource allocation decisions to local leaders. We need to gain a better understanding of the links between towns and cities and rural economies. The economic interdependence between urban-based enterprises and rural consumers and between rural producers and urban markets, and the reliance of many households on both rural and urban-based resources, are often stronger in and around small and intermediate urban centers, underlining their important potential role in local economic development.

The territorial approach is an important way to promote rural development by building local competitive advantages in farm and non-farm activities; promoting inclusive processes with the local populations; strengthening local governance through local institutional building; making good economic use of the different territorial assets, and promoting economic coordination institutions in the territory. A lack of training opportunities and low skill levels has contributed to high levels of unemployment in rural areas. This problem needs to be urgently addressed by policymakers.

The very nature of agriculture is changing, and farmers need to acquire new skills if they are to make the most of new technologies, products and markets. Vocational schooling to prepare students for entry into the labor market and training programs in niche markets with good growth prospects can raise the productivity and income of enterprises by upgrading technology and managerial skills.

Farmers and entrepreneurs also need to acquire a better understanding of how to run their businesses efficiently. They need more and better market information and greater understanding of their costs and revenues, the required investments, and the value chains they operate in. The new rural paradigm requires important changes in how policies are conceived and implemented. Designing rural development policy for different communities or territories involves pooling the knowledge held by a wide variety of public and private actors. Traditional hierarchical administrative structures are likely to be inadequate to administer these policies effectively and adjustments are thus needed both at the central and local government level and between the different levels of government. Co-ordination is also needed between the central government and sub-national authorities.

Developing a true partnership with sub-national governments implies participation in decision making and also in implementing rural development policies that the regional or local government helps to design. These arrangements require a high level of commitment, effective knowledge sharing and competence on the part of local representatives. One of the key problems is how to ensure that the proper incentives are provided to make rural communities act in a way that is both dynamic and rewards initiative and experimentation, but that also promotes consistency in public policy across sectors and regions.

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